



RECORDATION NO. 1 5205 ^A Filed & Recorded
APR 7 1987 2-2 0 PM
INTERSTATE COMMERCE COMMISSION
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INTERSTATE COMMERCE COMMISSION

Queen Anne Business Banking Office

April 1, 1987

No. 7-037A041

Date APR 7 1987

Fee \$ 10.00

ICC Washington, D. C.

Secretary
Interstate Commerce Commission
Washington, D.C. 20423

Re: Document for Recordation

Dear Secretary:

I have enclosed an original and one copy/counterpart of the documents described below to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

This document is a mortgage and assignment of lease. This primary document is dated March 30, 1987. We request that the assignment be cross-indexed.

The names and addresses of the parties to the document are as follows:

1. Mortgagor - Coast Engine & Equipment Corporation
4012 East-West Road
Tacoma, Washington 98421
2. Mortgagee - Seattle-First National Bank
Queen Anne Business Banking Office
425 - 1st Avenue West
Seattle, Washington 98119
3. Lessee - Washington Central Railroad Company, Inc.
6 West Arlington
Yakima, Washington 98901

APR 7 2 15 PM '87
FEDERAL BUREAU OF INVESTIGATION
U.S. DEPARTMENT OF JUSTICE
RECEIVED

Seattle-First National Bank will be the Assignee of the Lease between Coast Engine & Equipment Corporation and Washington Central Railroad Company, Inc. A copy of this Lease is incorporated into the above described primary document as Exhibit B. Said Lease has not previously been filed. Seattle-First National Bank is also to be the Mortgagee of eight Locomotives belonging to Coast Engine & Equipment Corporation. A description of these Locomotives is attached hereto as Exhibit A and made a part hereof.

A fee of \$20.00 is enclosed. Please return the original and any extra copies not needed by the Commission for recordation to the following address:

Seattle-First National Bank
Queen Anne Business Banking Office
425 1st Avenue West
Seattle, Washington 98119

A short summary of the document to appear in the index is as follows:

Primary Document - This document is a Mortgage and Assignment of Lease between Coast Engine & Equipment Corporation of 4012 East-West Road, Tacoma, Washington 98421, as Mortgagor/Owner of the Locomotives, as Lessor of the Locomotives subject to the Lease and as Assignor of the Lease subject to assignment, and Seattle-First National Bank, 425 - 1st Avenue West, Seattle, Washington 98119, as Mortgagee of the Locomotives and Assignee of the Lease. Said Agreement grants Seattle-First National Bank a Mortgage in eight Locomotives and in a certain lease of seven of these Locomotives. Said Lease is with Washington Central Railroad Company, Inc. 6 West Arlington, Yakima, Washington 98101 as Lessee. The eight locomotives are briefly described as follows:

Two (2) - EMD, GP-9 Diesel Electric Road Locomotive Engines
and

Six (6) - EMD, SW-1200 Diesel Electric Road Locomotive Engines.

Sincerely,



Timothy R. O'Hara
Business Banking Officer
Seattle-First National Bank

TRO/lkr
enclosures

LOCOMOTIVE LEASE AGREEMENT

1 5205/A
RECORDATION NO. _____ Filed & Recorded

APR 7 1987 2:20 PM

DATE: October 7, 1986.

INTERSTATE COMMERCE COMMISSION

PARTIES: (1) CEECO:

COAST ENGINE AND EQUIPMENT CORPORATION,
a Washington corporation

(2) WCRC:

WASHINGTON CENTRAL RAILROAD COMPANY, INC.,
a Washington corporation

LOCOMOTIVES SUBJECT TO LEASE AGREEMENT: Subject to the terms and conditions as hereinafter provided, WCRC desires to lease the following described locomotives from CEECO for the purpose of operating the same, directly or indirectly, in interstate commerce:

Seven (7) EMD Locomotives, composed of two (2)
GP-9 of 1750 BHP each and five (5) SW-1200
of 1200 BHP each

TERMS AND CONDITIONS: This Locomotive Lease Agreement is subject to the following terms and conditions:

1. TERM: The term of this Lease shall commence on the date the first delivery of a locomotive to WCRC is made pursuant to this Agreement, and ending at the end of sixty (60) months, measured from the first day of the calendar month next following the calendar month in which the first locomotive is delivered pursuant to the terms of this Agreement.

2. RENTAL: Rental shall be at the rate of THREE THOUSAND NINE HUNDRED FIFTY-FOUR and NO/100 DOLLARS

(3,954.00) per full month per locomotive, payable in arrears at the end of each full calendar month during the term of this Lease. Rental payable for each locomotive covered by this Lease shall commence at the end of the first full calendar month after the subject locomotive or locomotives is delivered to WCRC in the manner as hereinafter provided in this Agreement.

3. DELIVERY: CEECO agrees to deliver to the Burlington Northern Railroad, at a mutually acceptable point of interchange, all of the locomotives referred to herein on the following schedule:

3.1 One (1) GP-9 Locomotive on September 22, 1986.

3.2 One (1) GP-9 and three (3) SW-1200 Locomotives on September 29, 1986.

3.3 Two (2) SW-1200 Locomotives on or before December 1, 1986. CEECO shall give WCRC thirty (30) days advance notice of the availability date of these two locomotives. If the two locomotives as referred to in this paragraph 3.3 are not delivered in the manner as hereinafter provided by December 1, 1986, then in such event, WCRC reserves the right from and after that date to terminate the Lease with respect to the two (2) locomotives referred to in this paragraph 3.3 by giving written notice thereto to CEECO.

3.4 Locomotives shall be considered delivered to WCRC when received by WCRC from the Burlington Northern Railroad. Any switching charges related to said interchange shall be paid by WCRC.

3.5 In no case shall locomotives be delivered to WCRC or Burlington Northern prior to WCRC receiving its "certificate to operate" from the Interstate Commerce Commission (ICC). WCRC will keep CEECO fully apprised of its

status with the ICC at all times on a "best-efforts" basis. WCRC shall forward a copy of its ICC License Application to CEECO prior to delivery of locomotives to WCRC or Burlington Northern.

4. PERFORMANCE: In the event CEECO, for any reason, fails or is unable to perform in accordance with the terms and conditions of this Agreement, WCRC may cease to make lease payments attributable to the locomotive or locomotives as to which such nonperformance occurs until the precipitating situation is corrected. CEECO understands that the delivery times of the first five (5) locomotives referred to in paragraphs 3.1 and 3.2 are essential to their performance under this Agreement.

In the event WCRC, for any reason, fails or is unable to perform in accordance with the terms and conditions of this Agreement, CEECO may require the return of any or all locomotives and WCRC shall be liable for rental payments until the termination of this Lease. In such event, CEECO shall use its best efforts to re-lease or sell such locomotives, and WCRC shall receive credit for any sums of money received by CEECO as a result of such re-lease or sale.

5. SPECIFICATIONS - WARRANTY OF QUALITY: CEECO agrees and warrants that the locomotives will conform to the specifications contained on Exhibit A attached hereto and made a part hereof prior to the delivery of the said locomotives. Further, CEECO agrees and warrants that all locomotives delivered shall conform to the requirements of the Federal Railroad Administration (FRA), the Mechanical Division of the Association of American Railroads (AAR), and the Washington Utilities and Transportation Commission (WUTC).

6. INSPECTION - ACCEPTANCE: WCRC will cause each locomotive to be inspected prior to its departure from CEECO's plant in Tacoma to determine compliance with

specifications contained in Exhibit A and warranties provided in paragraph 5. CEECO will cooperate in furnishing all information and records in its possession as to each locomotive and shall permit WCRC representatives to freely inspect locomotives at its plant during preparatory and rebuilding work and at any subsequent time while repair work is being performed by CEECO on the locomotives.

7. MAINTENANCE:

7.1 Major Maintenance and Major Support Generally
- Monthly Rental Maintenance Factor: CEECO shall provide major maintenance and maintenance support as are more fully defined and provided for in paragraphs 7.2 and 7.4 hereof throughout the term of this Lease. It is understood that this transaction has been negotiated on the basis that of the THREE THOUSAND NINE HUNDRED FIFTY-FOUR and NO/100 DOLLARS (\$3,954.00) monthly rental for each locomotive, ONE THOUSAND THREE and 75/100 DOLLARS (\$1,003.75) of that rental represents the costs to be paid to CEECO for providing the maintenance services as contemplated by this Agreement.

7.2 Major Maintenance Defined: "Major maintenance" is herein defined as:

(a) Replacement of main generators, traction motors, engines, power assemblies, engine lube oil pumps, wheels, axle sets, air compressors, engine blowers, and all major electrical malfunctions, including parts and labor.

(b) Any and all FRA-required inspections, including, but not limited to, 92-day, semi-annual, annual, and two-year inspections. WCRC will provide a pit and/or suitable area at which CEECO can conduct said inspections and make repairs. WCRC and CEECO shall agree to schedule locomotive use and inspection dates to meet their mutual requirements.

(c) Any work that would require the removal of the truck from the locomotive or which would require removal of the locomotive hood.

(d) Any repair, maintenance or replacement not included or provided for in paragraph 7.4(c) herein.

7.3 Location for Major Maintenance and Repair Work: CEECO agrees that to the extent reasonably possible, all maintenance and repair of the locomotives to be provided by CEECO will be provided at facilities of WCRC. Additionally, CEECO agrees that it will use its best efforts to make all repairs and maintenance in an expeditious manner for the purpose of allowing WCRC to provide its continued service to its customers.

In the event, however, that major maintenance cannot be performed at a facility provided by WCRC, then WCRC agrees to deliver, at its cost, the locomotive(s) in question to CEECO's plant at Tacoma, Washington. After the repairs or maintenance have been completed satisfactorily, WCRC shall accept re-delivery of the same at CEECO's plant at Tacoma. WCRC shall not be required to pay lease payments for locomotives out of service which are CEECO's responsibility to repair and/or maintain pursuant to the terms of this Agreement, the abatement in lease payments to be at the rate of ONE HUNDRED and NO/100 DOLLARS (\$100.00) per day during the time the locomotive is out of use and is being serviced by CEECO.

7.4 Maintenance Support: "Maintenance support" shall be provided as set forth below:

(a) At the time WCRC commences operations, CEECO shall provide one qualified employee to work with WCRC on a daily basis for two (2) consecutive weeks from the date of start-up. CEECO's employee shall perform light and daily locomotive servicing, and further, shall instruct and

qualify WCRC personnel in performing said servicing pursuant to FRA standards.

(b) In conjunction with paragraph 7.4, CEECO will provide to WCRC a maintenance recording and reporting system for the latter's guidance and use, which, if conformed to by WCRC personnel, shall result in proper, daily locomotive servicing in accordance with CEECO standards.

(c) For the six-month period following commencement of operations by WCRC, CEECO shall provide a qualified employee, semi-monthly, to work with WCRC personnel to ensure the adequacy of their instruction and qualifications pursuant to paragraph 7.4(a), and further, to ensure that the daily recording and reporting system described in paragraph 7.4(b) is being correctly adhered to.

(d) After the initial six-month period described above in paragraph 7.4(c), and for the remaining term of this Agreement, CEECO shall provide one (1) qualified employee to work with WCRC personnel at least once each month to ensure that daily locomotive maintenance, ~~car inspection~~, and maintenance reporting, as described in paragraph 7.4, are being followed in accordance with FRA and CEECO standards. CEECO shall notify WCRC of any deviation by WCRC personnel from the standards and systems established and mutually agreed upon.

(e) WCRC personnel, once trained by CEECO, shall perform maintenance and repairs of a daily nature.

(f) Services to be performed by CEECO pursuant to paragraph 7.2(b) will be performed, insofar as possible, by personnel engaged in the performance of CEECO's obligations under paragraphs 7.4(a), (c) and (d).

7.5 Notification for Maintenance and/or Repair:
CEEEO shall make available its maintenance and repair crews

on the next working day, exclusive of weekends and legal holidays, following receipt of notification (notification may be by telephone) by WCRC that major maintenance is required. WCRC shall, upon advice from CEECO that a locomotive is in need of major repair, cease using said locomotive.

7.6 Use by WCRC: WCRC shall use the locomotives in accordance with the original manufacturers' ratings and in accordance with normal railroad industry operating standards and restrictions. ~~WCRC warrants that it will not operate the SW-1200 locomotives at speeds in excess of twenty (20) miles per hour.~~ 1785

7.7 Damage and Accidents: WCRC will be responsible for repairs occasioned by operational causes, including, but not limited to, derailments, accidents, vandalism, acts of God or third parties, WCRC negligence, failure to perform proper scheduled maintenance, or any causes other than normal wear and tear. CEECO agrees to provide repairs in such instances, and to charge WCRC rates not to exceed AAR rates therefor, if applicable, or other industry norms. WCRC agrees to pay such rates.

CEECO will be responsible for repairs due to mechanical defects in the locomotives at the time of their delivery; for damages occurring while the locomotives are located at CEECO's plant; for repairs required due to damage caused by CEECO personnel; and for repairs required because of the failure of CEECO to properly perform its maintenance and repair functions under this Agreement. CEECO will pay the cost of all repairs for which it is responsible hereunder.

7.8 CPI Adjustment for Maintenance Factor of Rental Payments: It is agreed by the parties hereto that that portion of the total rental payment which is directly

attributable to the maintenance section of this Agreement (that is, \$1,003.75 per month) shall be adjusted annually, upward or downward, by a factor equal to one-half (1/2) of the percentage change in the Consumer Price Index (CPI) for the previous 12-month period. It is understood that the term "Consumer Price Index" means the Urban Wage Earners and Clerical Workers Index as published by the Bureau of Labor Statistics, Department of Labor, using the Seattle, Washington Index.

The first CPI adjustment shall not occur until January 1, 1988, and subsequent adjustments shall occur on or before the same date of each succeeding calendar year. For convenience purposes, the comparison years shall be December of the calendar year immediately preceding the date in which the adjustment is to take place and the base shall be twelve (12) months prior thereto.

7.9 Consumables and Replacement Parts: WCRC shall pay for all consumables used in light maintenance and daily servicing operations, including, but not limited to, air, fuel, electric power, lubricating oil, sand, light bulbs, air and oil filters, hoses and brake shoes. CEECO shall sell air and oil filters, hoses and brake shoes to WCRC at CEECO's costs. CEECO shall recommend the type of lubricating oil to be used by WCRC in the locomotives, and WCRC shall consider such recommendation in determining the proper oil to use. WCRC warrants that it will use oil proper for the engines. CEECO warrants that parts supplied by it will conform to railroad industry standards.

8. MODIFICATIONS: No modifications shall be made by WCRC to locomotives without the express consent of CEECO, unless required by federal or state law or regulation or the Mechanical Division of the AAR. WCRC, however, shall have the right to install radios, water coolers, and flange

lubricators on locomotives, if desired. If installed, these items shall be removed by WCRC before return of the locomotives to CEECO at the expiration of the term of this Lease.

9. CERTIFICATIONS: CEECO agrees to promptly provide such certificates as WCRC may require from time to time in relationship to this Agreement, such certifications to be used where required by WCRC's insurance carriers, the FRA, or other regulatory agencies.

10. RECORDS. WCRC agrees to furnish monthly (or for such other period as may be agreed to) statements to CEECO containing hours of operation of locomotives, exceptions to proper functionings of locomotives, and such other reasonable information as CEECO may require.

11. ASSIGNMENT: WCRC shall not assign or sublease any of said locomotives nor deliver possession thereof to any other person without express written consent of CEECO, which consent shall not be unreasonably withheld.

12. INSURANCE AND INDEMNIFICATION:

12.1 WCRC Indemnification of CEECO - Liability Insurance: WCRC agrees to indemnify and save CEECO harmless against all claims by third parties for death, personal injury or property damages arising during or from operation or maintenance of the locomotives by WCRC. WCRC agrees to maintain in effect, during the term of this Agreement, a policy or policies of insurance with a company approved by CEECO, naming CEECO as an additional insured, and insuring against third-party claims for death or bodily injuries, with limits of not less than \$500,000.00/\$100,000.00, and against claims for property damage, with a limit of not less than \$500,000.00. CEECO shall at all times be provided with a current certificate evidencing such policy or policies, which certificate will provide that the same shall not be cancelled except on thirty (30) days' notice by the insurer

thereunder to CEECO. WCRC agrees to maintain insurance during the term of this Agreement on each locomotive in its possession, insuring the same against loss or damage to the reasonable value thereof. CEECO shall be named as an additional insured on each such policy, as its interest may appear, and shall be provided a certificate in the same form as provided above in this paragraph.

12.2 Damage: In the event of the destruction of a locomotive or locomotives or damage beyond economic repair, except (i) where the locomotive(s) is damaged beyond economic repair or destroyed at CEECO's plant while there for the purpose of repair, and (ii) if the damage beyond economic repair or destruction of the locomotive(s) is CEECO's responsibility under the terms of this Agreement, WCRC shall compensate CEECO based on one of the following alternatives, the election of the appropriate alternative to be made exclusively by WCRC:

(a) By paying to CEECO the then fair market value of the locomotive(s) (fair market value to be determined by mutual agreement of the parties, provided if the parties are unable to agree upon fair market value, the same shall be determined by arbitration as hereinafter provided for in this Lease); or

(b) By continuing to pay for the term of this Lease rental payments to CEECO in the amount of TWO THOUSAND NINE HUNDRED FIFTY and 25/100 DOLLARS (\$2,950.25) per month (rental payments exclusive of maintenance factor of \$1,003.75 per month) for the remainder of the term of this Lease.

12.3 Rental Abatement: Lease payments for locomotives destroyed or damaged beyond economic repair as a result of occurrences which are the responsibility of CEECO,

as provided for in this Lease Agreement, shall cease immediately upon the said occurrence.

12.4 CEECO Indemnification of WCRC - Liability Insurance: CEECO agrees to indemnify and save WCRC harmless against all claims by third parties for death, personal injury or property damages arising during or from operation or maintenance or repair of the locomotives by CEECO. CEECO agrees to maintain in effect, during the term of this Agreement, a policy or policies of insurance with a company approved by WCRC, naming WCRC as an additional insured, and insuring against third-party claims for death or bodily injuries, with limits of not less than \$500,000.00/\$100,000.00, and against claims for property damage, with a limit of not less than \$500,000.00. WCRC shall at all times be provided with a current certificate evidencing such policy or policies, which certificate will provide that the same shall not be cancelled except on thirty (30) days' notice by the insurer thereunder to WCRC.

13. ARBITRATION: In the case of a disagreement between the parties signatory hereto at any time during the term of this Lease as to the condition of any of the subject locomotives and/or the responsibility therefor, or in the case of disagreement between the parties as to the responsibly party for the destruction of any of the subject locomotives, and the parties failing to resolve the same between themselves, the following shall apply:

Within thirty (30) days of the original disagreement, the president of CEECO, or his or her designated representative, and the president of WCRC, or his or her designated representative, shall meet and choose an arbitrator mutually acceptable to each party that is knowledgeable in the mechanics of the railway industry. The arbitrator shall determine the condition of said locomotive and which party

is responsible for the condition of the same. The determination of the arbitrator shall be final and binding upon both parties hereto. Costs of the arbitrator, including travel expenses, shall be borne equally by the parties hereto.

If the parties are unable to agree upon a single arbitrator as provided for above, then each shall appoint one arbitrator who meets the same qualifications as referred to above, and the two so appointed shall select a third arbitrator who shall also meet the same qualifications, and a decision of the majority of the arbitrators shall be binding upon the parties.

14. TERMINATION - OPTION TO PURCHASE: This Agreement may be terminated at any time during its intended term by mutual consent in writing of the parties hereto. In any event, this Agreement shall terminate at the end of sixty (60) months from the date of the initial delivery given that the parties hereto have conformed to the terms and conditions set forth herein. In that event, and upon the payment of all lease payments called for herein, WCRC shall have the right to purchase all of the locomotives that are the subject matter of this Agreement for a total sum of ONE DOLLAR (\$1.00).

15. AMENDMENT AND MODIFICATION: This Agreement may be amended or modified at any time during the term of this Agreement by mutual agreement of the parties signatory hereto.

16. BINDING EFFECT: This Lease, as from time to time modified or amended, shall be binding upon and inure to the benefit of the parties hereto, their heirs, successors or assigns.

17. ATTORNEY'S FEES: Should it be necessary for either party to invoke the aid of a court to enforce the

terms of this Lease, the prevailing party therein, in addition to costs allowed by law, shall recover a reasonable sum as attorney's fees, all of which the other party agrees to pay.

18. TERMINATION: CEECO may declare this Lease terminated by written notice to WCRC on the occurrence of any of the following:

(a) Failure to make any payment required by this Agreement after receiving thirty (30) days written notice from CEECO;

(b) The filing of a petition, voluntary or otherwise, on behalf of WCRC under any of the bankruptcy laws of the United States; and

(c) The making by WCRC of an assignment for the benefit of creditors.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands the day and year first above written.

LESSOR:

COAST ENGINE AND EQUIPMENT CORPORATION

By: [Signature] President

By: [Signature] Secretary

LESSEE:

WASHINGTON CENTRAL RAILROAD COMPANY, INC.

By: [Signature] President

By: [Signature] Secretary

STATE OF WASHINGTON)

) SS.

)

I certify that I know or have satisfactory evidence
that W. F. WILKIN and KEITH LANE

signed this instrument, on oath stated that they are author-
ized to execute the instrument and acknowledged it as the
President and Secretary, respectively, of COAST ENGINE AND
EQUIPMENT CORPORATION, a Washington corporation, to be the
free and voluntary act of such party for the uses and pur-
poses mentioned in the instrument.

DATED this 31st day of October, 1986.

NOTARY PUBLIC in and for the State
of Washington, residing at *Everett*

My appointment expires 11/1/59.

STATE OF WASHINGTON)
)
) ss.
County of ~~Yakima~~ ^{KING})

I certify that I know or have satisfactory evidence that W H F WALLACE and R P SANDL signed this instrument, on oath stated that they are authorized to execute the instrument and acknowledged it as the President and Secretary, respectively, of COAST ENGINE AND EQUIPMENT CORPORATION, a Washington corporation, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATED this 31st day of June, 1986.

NOTARY PUBLIC in and for the State
of Washington, residing at Cashmere, Bl.
My appointment expires 11/12/59.

STATE OF WASHINGTON)
)
County of Yakima) ss.

I certify that I know or have satisfactory evidence that Nicholas B. Temple signed this instrument, on oath stated that he is authorized to execute the instrument and acknowledged it as the President of WASHINGTON CENTRAL RAILROAD COMPANY, INC., a Washington corporation, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated this 1st day of January, 1986.

Merley A. Reed
NOTARY PUBLIC IN AND FOR THE STATE
OF WASHINGTON, residing at Yakima.
My appointment expires 2/28/82.

EXHIBIT "A"

GENERAL REQUIREMENTS: The locomotives will conform to all current regulations and requirements of the FRA, all requirements and specifications of the Mechanical Division of the AAR, and the Washington Utilities and Transportation Commission, as they apply to a common carrier by rail.

1. Engine: Lead reading shall be taken, ring and liner inspection shall be done, all injectors shall be tested, qualified, and a spot check of the main bearings shall be done. All defective components shall be replaced or repaired as necessary and all major leaks (water, lube oil, fuel oil, and exhaust) shall be repaired. Ring side clearance measurements will be taken.
2. Main Generator: D-15, D-25, or suitable alternative. Clean in place, change all brushes, inspect and repair as required.
3. Trucks: Roller bearing AAR trucks with 2" or better wheels and quick-slack adjusters. Inspect and repair as required to put in serviceable condition.
4. Traction Motors: D-57 or suitable alternative. Clean in place, replace all brushes, check pinion, and repair as necessary. Traction motors to be qualified to re-built standards.
5. Air Brake: Compatible with ¹²⁻~~24~~ month inspection.
6. Radiators: Radiators will be boiled out. Radiators and lube oil coolers shall be hydro-tested and repaired as necessary.
7. Auxiliary Generator: Replace all brushes, inspect and repair as necessary.
8. Electrical System: All contactors, relays, and wiring shall be clean, in good operating condition, and banded and fastened. This to include high and low voltage wiring.
9. Batteries: Qualified, ~~re-built~~ batteries.
10. Filters: Farr paper-type engine air filters or suitable alternatives shall be installed. All lube oil, fuel oil, and car body filters shall be new.
11. Lube Oil: Lube oil shall be changed on spectrographic analysis; specifications to be mutually agreed upon.
12. Air Compressor: Qualified in place. Repaired as required.
13. Accessory Equipment:
 - A. Belts on all rotating equipment shall be replaced.
 - B. Draft gear pockets, draft gears, and yokes shall be restored to original dimensions with work hardening rod welding. All pins and bushings shall be in good condition.
 - C. Couplers shall be in good condition.

- D. Uncoupling levers shall be converted to current FRA configurations.
 - E. Pilot plates shall be installed per current FRA regulations and no footboards.
 - F. Strobe lights shall be properly installed.
 - G. KIM "Hotstart" heaters installed, heavy-duty, 440 volt, to circulate and heat cab water, radiator water, and lube oil to 140°F, and equipped with battery charger and sentry alert system.
14. Cab: Clean, seats in serviceable condition, repaired as necessary. FRA glazing shall be applied. One twenty (20) pound ABC-type fire extinguisher shall be installed in cab; toilets removed and refrigerators installed.
15. Engine Room: Interior of hood shall be cleaned and repaired as necessary. One twenty (20) pound ABC-type fire extinguisher shall be installed on the inside of the left #1 engine room door. All louvered engine-room doors shall be fitted with filters.
16. Hand Rails: Hand rails shall be restored and shall conform to FRA requirements.
17. Protective Devices:
- A. Engine Shutdown:
 - (1) Low oil pressure.
 - (2) Emergency fuel.
 - (3) Engine overspeed trip.
 - B. Load Dropping:
 - (1) Wheel slip.
 - (2) Ground relay.
 - (3) Hot engine.
 - (4) When brake system placed in emergency.
18. Paint: Locomotive shall be painted with a good quality paint; color, arrangement and design to agree with WCRC requirement.
19. MU Capability: Locomotive units shall be compatible for MU operation, one with the other, and each must come equipped with all necessary hoses, angle cocks, jumper cable receptacles, and jumper cables.
20. Spare Equipment: Locomotive units shall be delivered accompanied by the following spare parts or items:

- *A. One (1) independent brake value handle if original equipment removable;
- *B. One (1) automatic brake value handle;
- *C. One (1) reverser handle;
- **D. One (1) spare electrical jumper;
- **E. One (1) spare set brake and MU air hoses.

*One set per type of locomotive
**One spare set for all locomotives

EXHIBIT "A"

SPECIFIC REQUIREMENTS:

1. Five (5) E.M.D. SW1200, Diesel Electric, Switcher Locomotives
 - A. Locomotive Rating: 1200 B.H.P.
 - B. Engine Type: 12 cylinder, 2 cycle, normally aspirated, "C" type
 - C. Engine Model: 567 or 645 with matching assemblies
 - D. Gear Ratio: 62:15
2. Two (2) E.M.D., GP-9, Diesel Electric, Road Locomotives
 - A. Locomotive Rating: 1750 B.H.P.
 - B. Engine Type: 16 cylinder, 2 cycle, normally aspirated, "C" type
 - C. Engine Model: 567 or 645 with matching assemblies
 - D. Gear Ratio: 62-15

EXHIBIT B

Lease with WCRC

EXHIBIT C

Status of Leases

Set forth below are the status of all leases in existence with respect to the Locomotives.

<u>Date Entered</u>	<u>Lessee Name and Address</u>	<u>Expiration Date</u>	<u>Amount Now Due</u>	<u>Amount to Become Due</u>
1. 10/31/86	WA Central RR. Co Yakima, WA	10/31/91	\$ 27,678.00	\$1,522,290 (\$27,678/month)
2. 5/85	Port of Tacoma P.O. Box 1837 Tacoma, WA 98401	Month-to-month Rental -No expiration-	\$ 2,750	\$2,750 monthly

EXHIBIT D

Consent and Agreement of WCRC

Washington Central Railroad Company, Inc. ("WCRC") certifies that it is obligated to Coast Engine & Equipment Corporation ("Coast") pursuant to a certain lease agreement dated October 1, '87, a true and correct copy of which is attached hereto (the "Lease"). WCRC acknowledges that the Lease has been assigned to Seattle First National Bank ("Lender") by Coast. WCRC understands that its consent and agreement is an express condition of certain loans between Lender and Coast and therefore WCRC consents to such assignment and agrees as follows:

(a) That all payments to be made by the undersigned with respect to the Lease will, with written notice so requested by lender, be made to:

Seattle-First National Bank

425- 1st Ave. West
Seattle, WA 98119

(b) That Lender shall have no obligation or liability under the Lease by reason of, or arising out of, the assignment.

(c) WCRC will not permit any amendment, modification, cancellation or other alteration of the Lease without the prior written consent of Lender, which consent will not be unreasonably withheld.

(d) That the Lease is valid and binding on WCRC and WCRC is aware of no present default or breach by Coast thereunder.

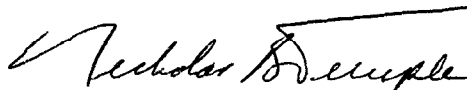
(e) In the event Coast defaults in the performance of its obligations under the Lease or any other event occurs that would give WCRC the right to terminate the Lease, WCRC shall take no steps to exercise any right it may have by reason of such event except for the right to withhold leasehold payments, without first giving Lender written notice specifying the event or events of default then outstanding and further specifying what action WCRC intends to take by reason thereof. Lender shall then have a period of thirty (30) days after the date of receipt of notice to cure all defaults specified in the notice, during which period WCRC shall forbear from exercising its rights against Coast arising by reason of such default. WCRC acknowledges that Lender may assume the position of Coast under the Lease but Lender shall not be deemed to have assumed Coast's position unless it expressly does so in writing. Absent such express written assumption, the Lender shall have no obligation to cure any defaults or otherwise perform any obligation of Coast arising under the Lease.

(f) Lender shall have the right to assign or transfer its rights and obligations under this Agreement to any third party without the consent of WCRC, provided such assignment or transfer shall not release Lender from liability if Lender has previously assumed the position of Coast as provided for above.

(g) The address set forth below WCRC's name is its address for receipt of all notices. In the event WCRC intends to change its address, it shall provide prior notice to Lender.

SIGNED this 30th day of March, 1987.

WASHINGTON CENTRAL RAILROAD, INC.

By 
NICHOLAS B. TEMPLE

Its PRESIDENT

6 West Arlington

Yakima, Washington 98901

EXHIBIT E

Transmittal Letter to Secretary

(on Coast stationary)

Interstate Commerce Commission
Washington D.C 20423

Re: Document for Recordation

Dear Secretary:

I have enclosed an original and one copy/counterpart of the documents described below to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

This document is a mortgage and assignment of lease. This primary document is dated _____. We request that the assignment be cross-indexed.

The names and addresses of the parties to the document are as follows:

1. Mortgagor - Coast Engine & Equipment Corporation
4012 East-West Road
Tacoma, Washington 98421
2. Mortgagee - Seattle-First National Bank

3. Lessee - Washington Central Railroad Company, Inc.

Seattle-First National Bank will be the Assignee of the Lease between Coast Engine & Equipment Corporation and Washington Central Railroad Company, Inc. A copy of this Lease is attached hereto as Exhibit A. Said Lease [has/has not] been filed. Seattle-First National Bank is also to be the Mortgagee of eight Locomotives belonging to Coast Engine & Equipment Corporation. A description of these Locomotives is attached hereto as Exhibit B and made a part hereof.

A fee of _____ is enclosed. Please return the original and any extra copies not needed by the Commission for recordation to the following address:

A short summary of the document to appear in the index is as follows:

Primary Document - This document is a Mortgage and Assignment of Lease between Coast Engine & Equipment Corporation of 4012 East-West Road, Tacoma, Washington 98421, as Mortgagor/Owner of the Locomotives, as Lessor of the Locomotives subject to the Lease and as Assignor of the Lease subject to assignment, and Seattle-First National Bank, _____ [Address] _____

as Mortgagee of the Locomotives and Assignee of the Lease. Said Agreement grants Seattle-First National Bank a Mortgage in nine Locomotives and in a certain lease of seven of these Locomotives. Said Lease is with Washington Central Railroad Company, Inc. as Lessee.

Very truly yours,

EXHIBIT F

Affidavit of Correctness

STATE OF WASHINGTON)
 (ss.
COUNTY OF _____)

I, _____ [Name of Signor] _____, have reviewed the attached copy of the Equipment Mortgage and Lease Assignment between Coast Engine & Equipment Corporation and Seattle-First National Bank, and have compared this copy with the original executed Agreement. Upon my review, I have found that the copy is complete and identical in all respects with the original document.

SUBSCRIBED AND SWORN TO before me this _____ day of _____, 1987.

NOTARY PUBLIC in and for the State
of Washington, residing at _____
My Commission Expires _____